



**Report to City Council
Mid-year Financial Report
City of Santa Clara**

February 10, 2009

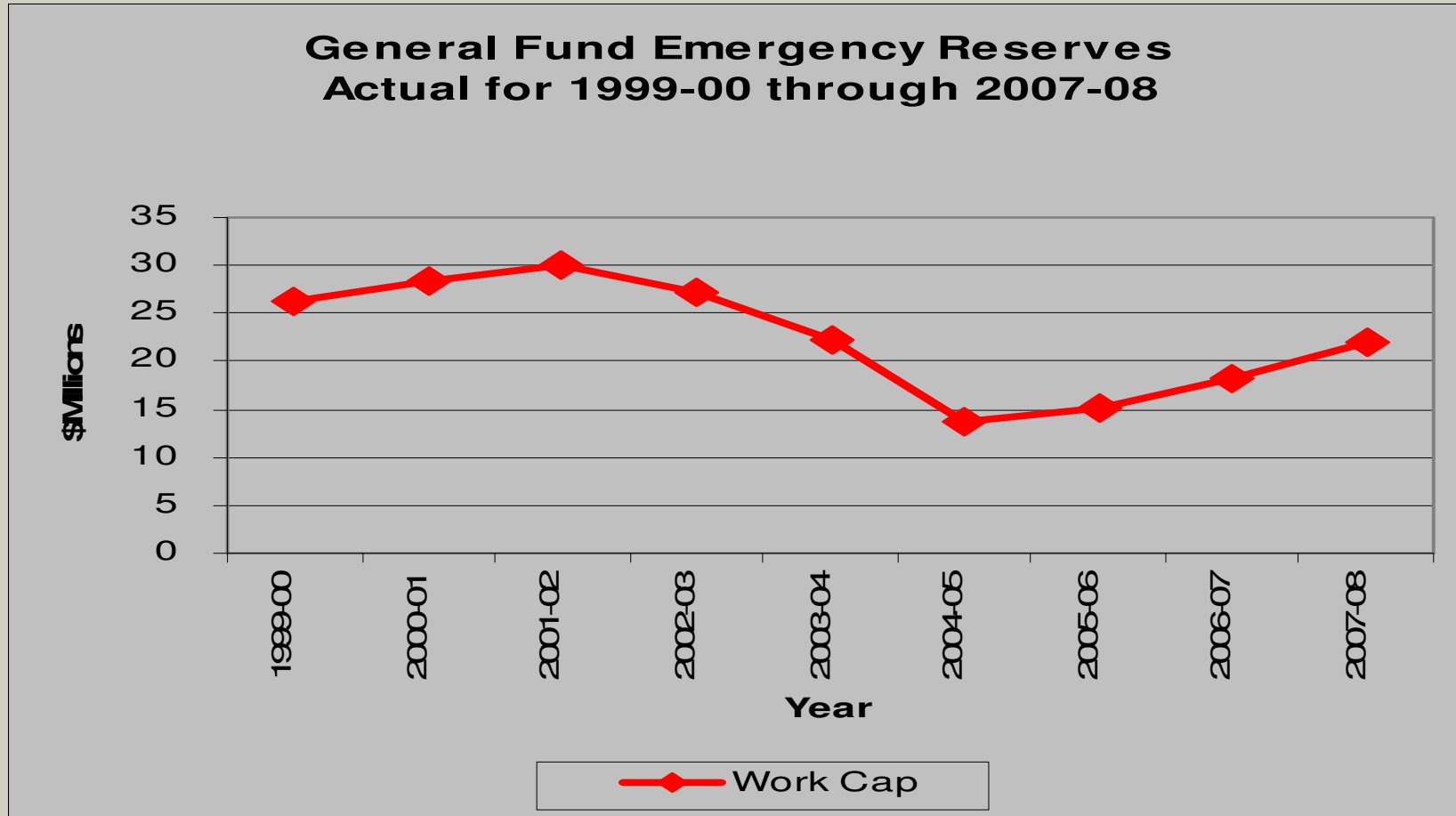
Agenda

- Introduction: City Manager
 - Overview: 2008-09 and actions this year
 - Considerations for 2009-10
- City Budget and Key Funds
 - General Fund
 - Electric Utility
 - Water & Sewer Utility
- Questions

General Fund

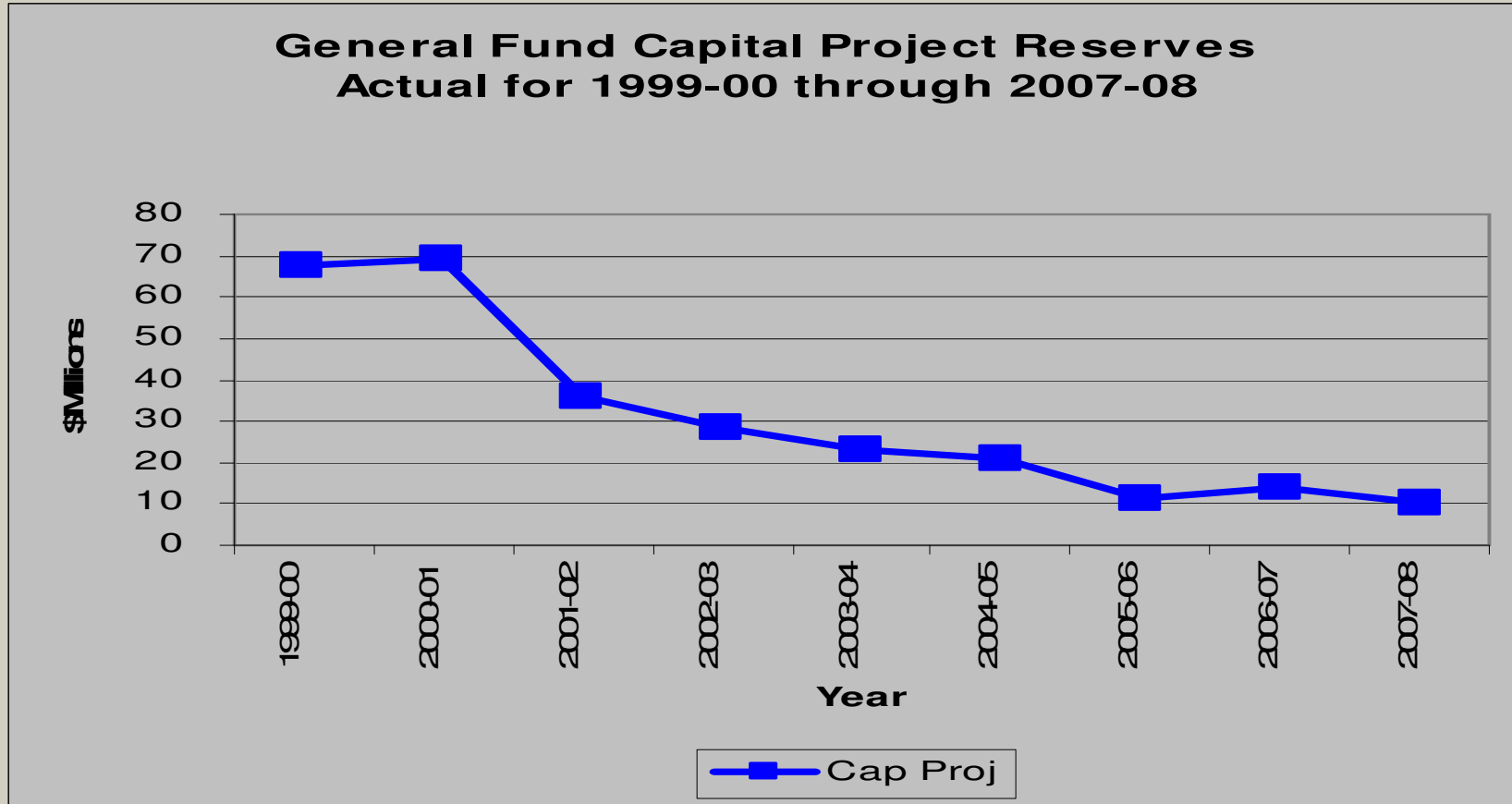


Recovery Incomplete



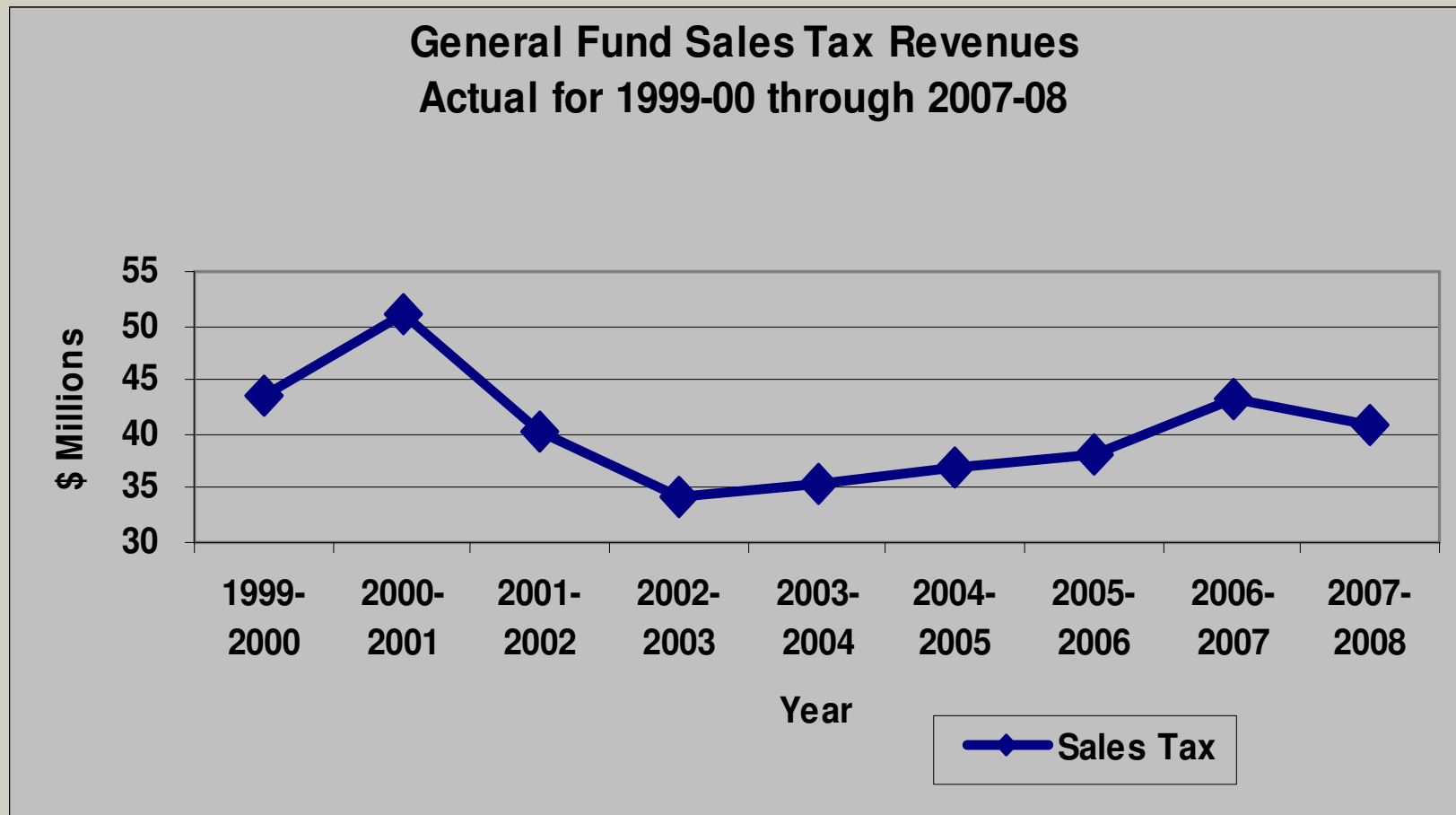
Emergency Reserves at \$30 mm (2001-02)
Emergency Reserves at \$22 mm (2007-08)

Recovery Incomplete



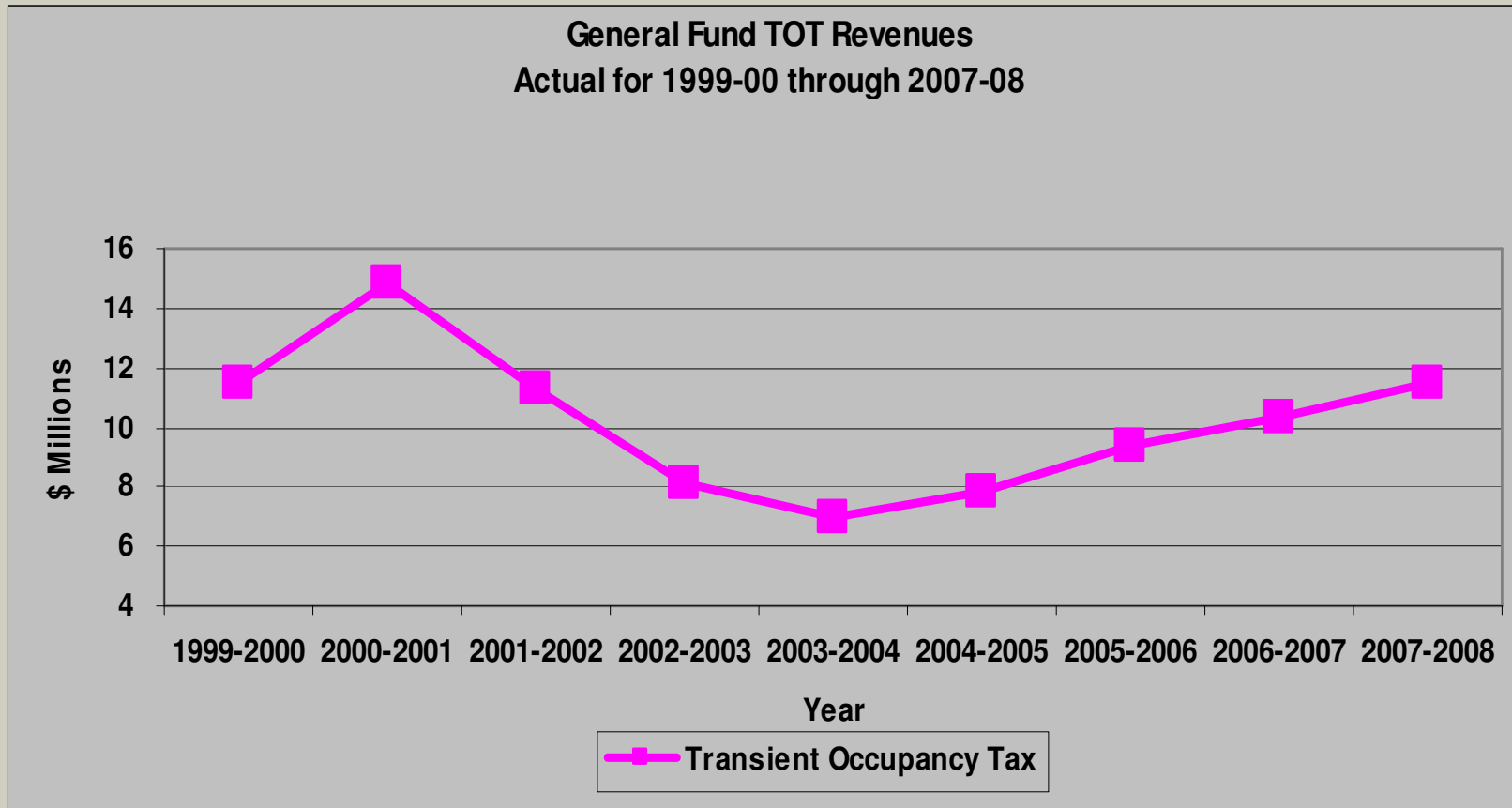
Capital Project Reserves at \$69 mm (2000-01)
Capital Project Reserves at \$10 mm (2007-08), after
appropriations July 1, 2008 \$2.5 mm

Recovery Incomplete



Sales Taxes at \$51 mm (2000-01)
Sales Tax Revenues at \$41 mm (2007-08)

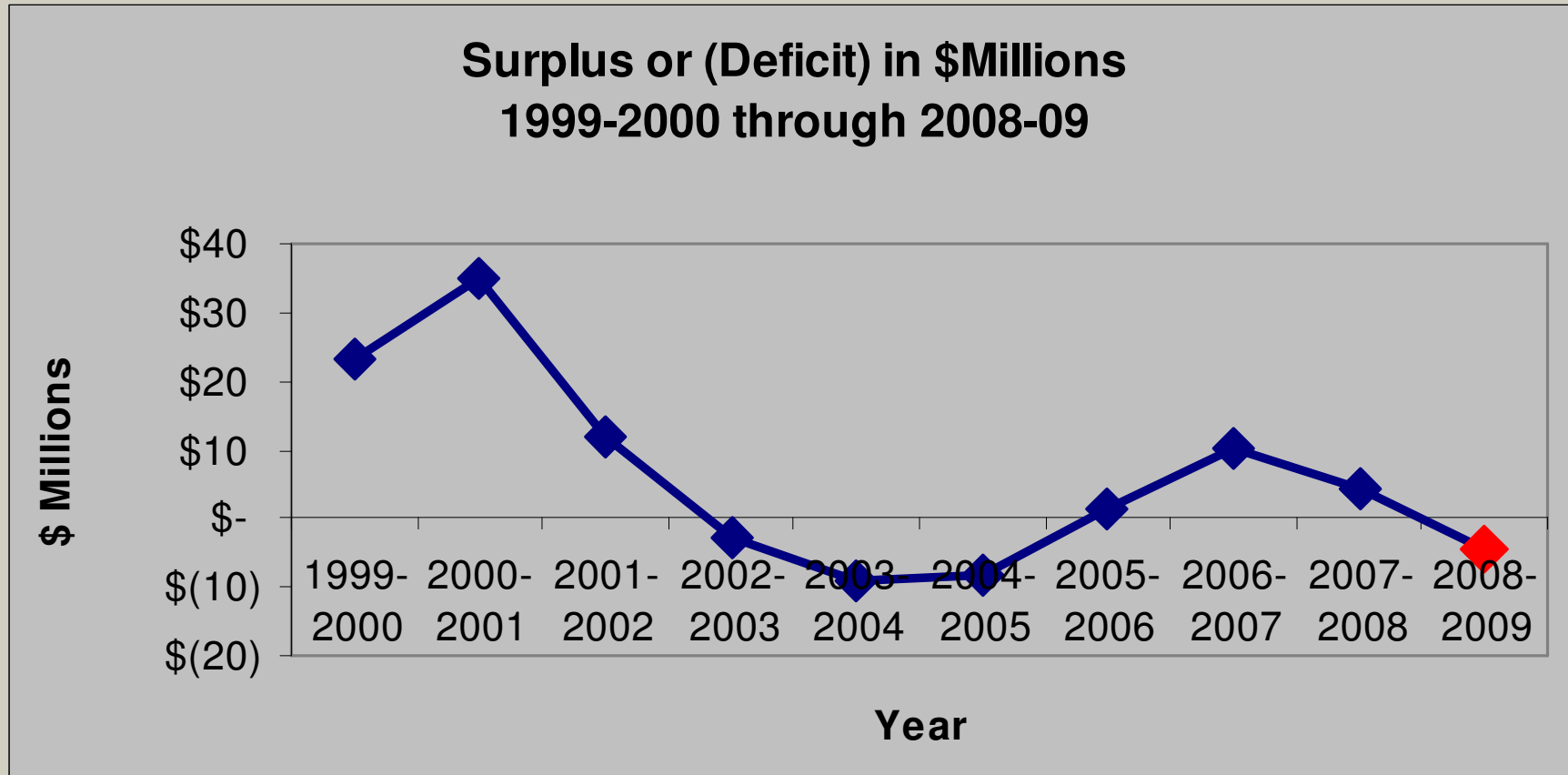
Recovery Incomplete



TOT at \$15.0 mm (2000-01)

TOT at \$11.5 mm (2007-08)

Recovery Incomplete



Projected Deficit \$5.0 million

General Fund Projection For 2008-09



- **Surplus in adopted budget projected of \$632,470**
- **Projected deficit at mid-year of \$5.0 million**

Budget Actions 2008-09



- Department Head Budget workshop Jan 22; developed options for reducing projected deficit
- Attrition savings year to date \$1.0 million (net savings)
- Implemented immediate managed hiring freeze: review of all vacancies to determine which to keep open, which to fill; review in April effect of additional savings
- Departments reducing remaining operational expenditures: overtime, contractual services, conference and travel, etc.
- Staff Budget Committee on-going meetings to develop recommendations for 2009-10

SVP Mid-Year Review

To: The Santa Clara City Council

John Roukema
Director of Electric Utility
February 10, 2009



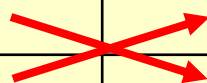
REVENUES AND EXPENSES

- Revenues are up from last year
 - Tracking Budget estimates
- Expenses are up more than revenues
 - Exceed Budget estimates

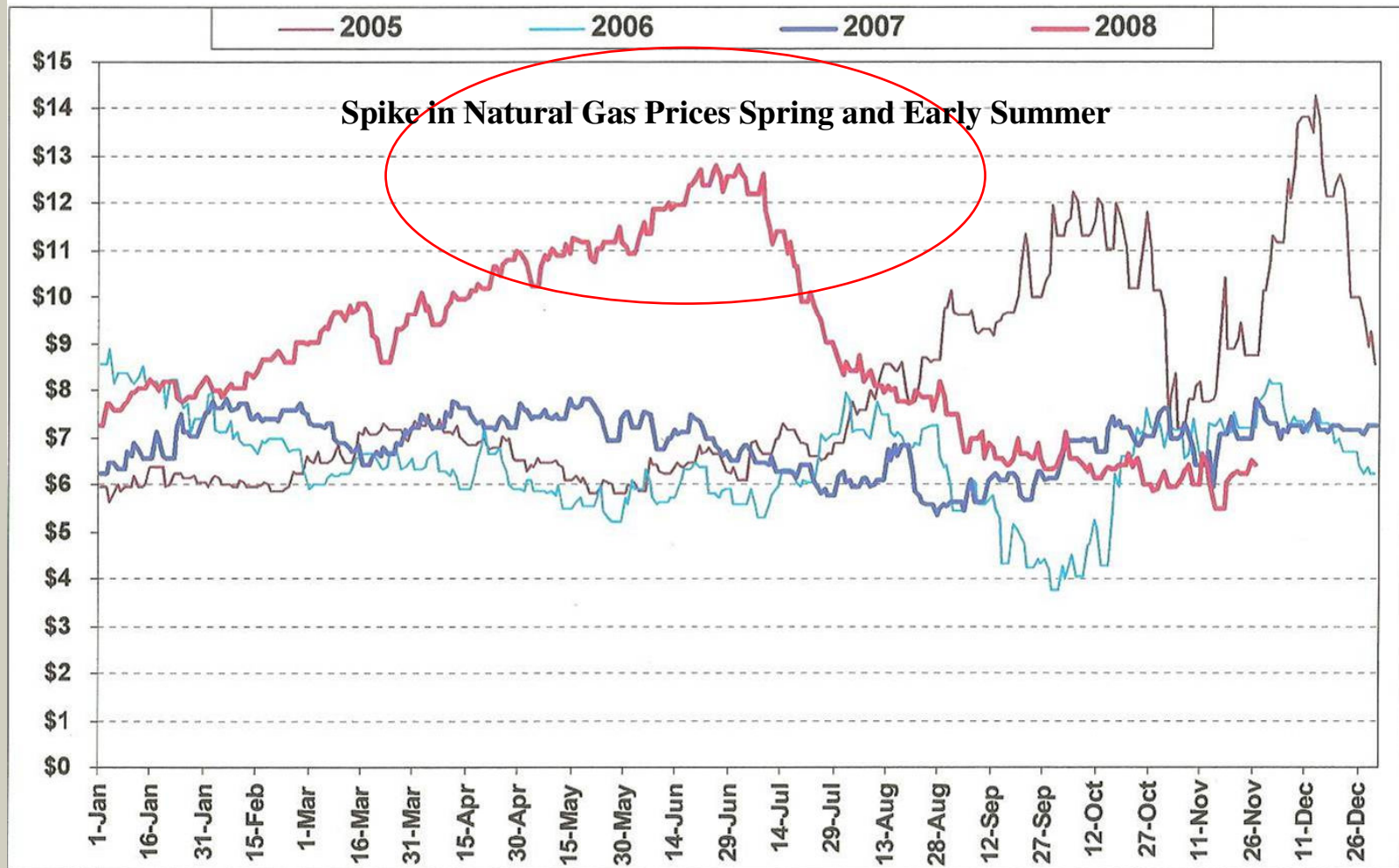
	FY07-08	FY08-09	% Change	% of Budget
Sales Revenue	\$ 116.2	\$ 122.3	+5.2%	50.3%
(Incl. 3% Rate Increase)				
Developer Contributions	\$ 1.1	\$ 1.2	+9.0%	11.8%
Total Revenue	\$ 132.0	\$ 137.1	+3.9%	49.7%
(Excl. Transfers)				
Operating Expense	\$ 129.2	\$ 150.3	+16.3%	59.0%
Oper. & Debt Service	\$ 147.4	\$ 165.5	+12.3%	60.0%

POWER CONTENT LABEL

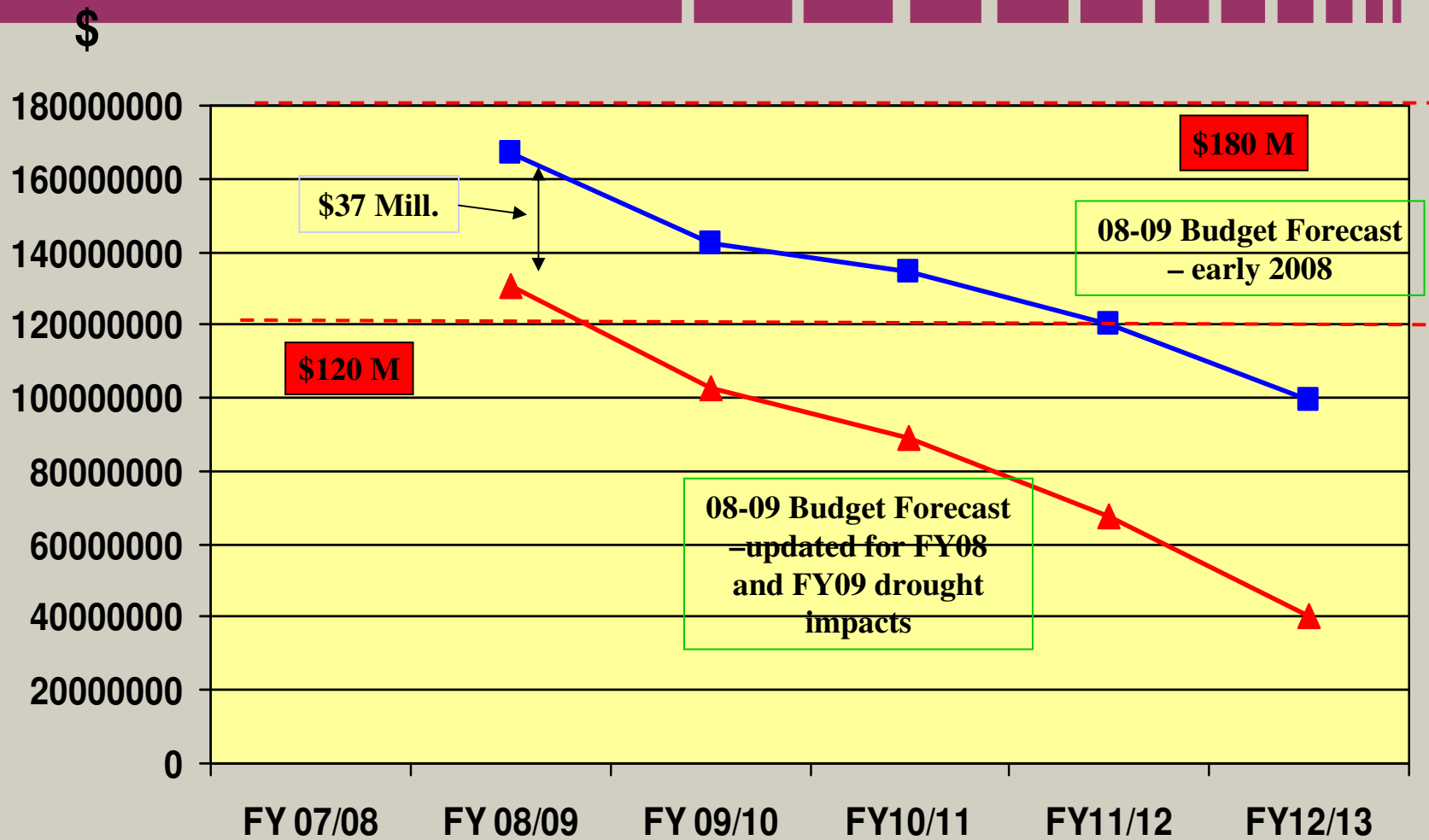
ENERGY RESOURCES	2006 SVP ACTUAL POWER MIX*	2007 SVP ACTUAL POWER MIX*	2006 CA POWER MIX** (for comparison)
Eligible Renewable	22%	28.5%	5.1%
-- Biomass & waste	0.0%	0.1%	0.3%
-- Geothermal	15.8%	16.0%	4.2%
-- Small hydroelectric	4.3%	1.6%	0.3%
-- Solar	0.0%	0.0%	0.0%
-- Wind	2.0%	10.8%	0.3%
Coal	22%	18.6%	28.6%
Large Hydroelectric	35%	20.9%	30.5%
Natural Gas	21%	31.8%	35.4%
Nuclear	0%	0.1%	0.4%
Other	0%	0.0%	0.0%
TOTAL	100%	100.0%	100.0%



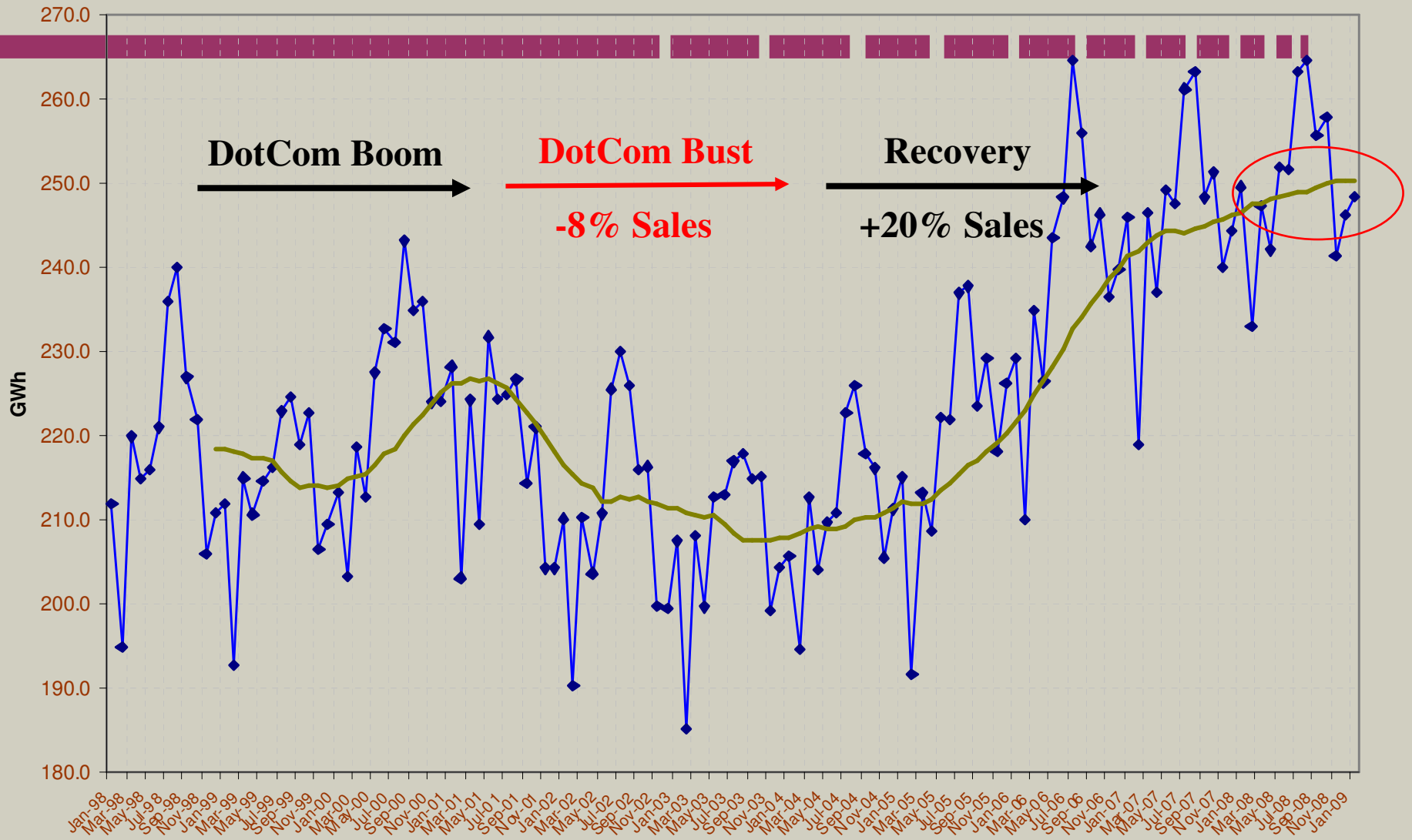
Daily Natural Gas Spot Prices (PG&E Citygate) Year-by-Year Comparison



Current Forecasts of CRF at 2009 Rates



Monthly Energy and Rolling 12 Month Average

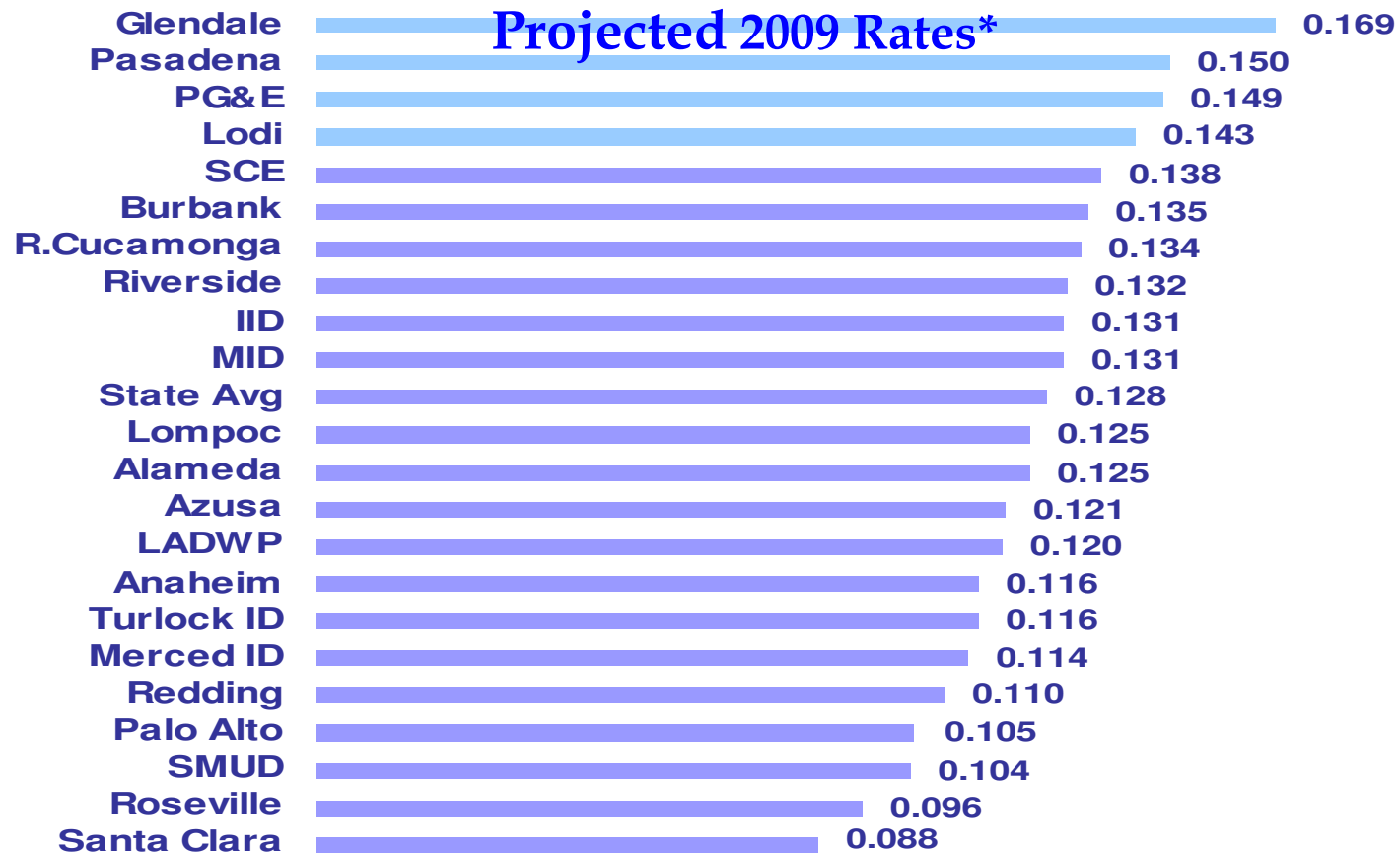


Challenges for the Future



- Bond Rating Agencies Require
 - Revenue Covers Expenses
 - Adequate Reserves
 - Competitive Rates
- Legislative and Regulatory
 - AB 32 Reduce Green House Gas emissions to 1990 levels
 - California Independent System Operator - Market Redesign
- Market Uncertainty
 - Uncertain Load Due to Economic Conditions
 - Natural gas price forecasts
 - Hydro conditions
 - Competition for renewable resources

Comparison with Other Utilities



* Source: CMRG AVG Rates

Midyear Revenue Report

Water & Sewer Utilities



Diversified Water
Sources



Water Sales Projections
& Wholesale Rates



Sewer Capital Projects
(Treatment Plant & Pipelines)

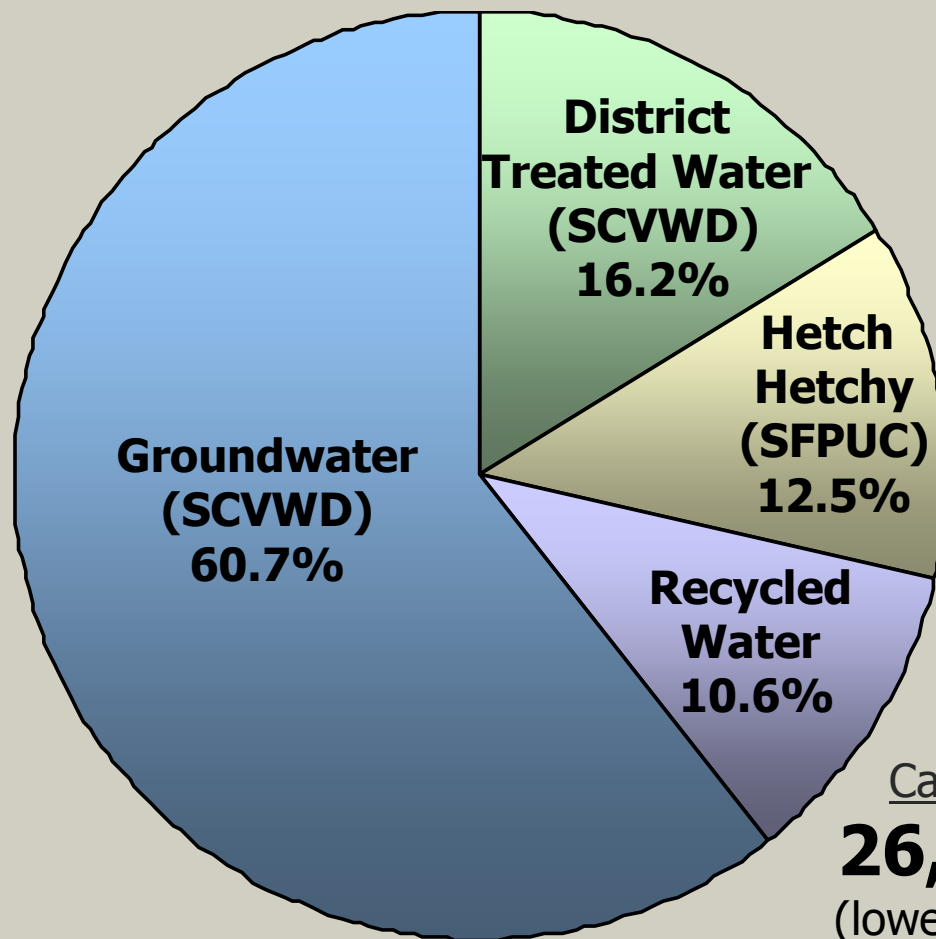
Midyear Revenue Report



- Diversified Water Sources
- Water Sales Projections & Wholesale Rates
- Sewer Capital Projects
- Executive Summary & Implications

Diversified Water Sources

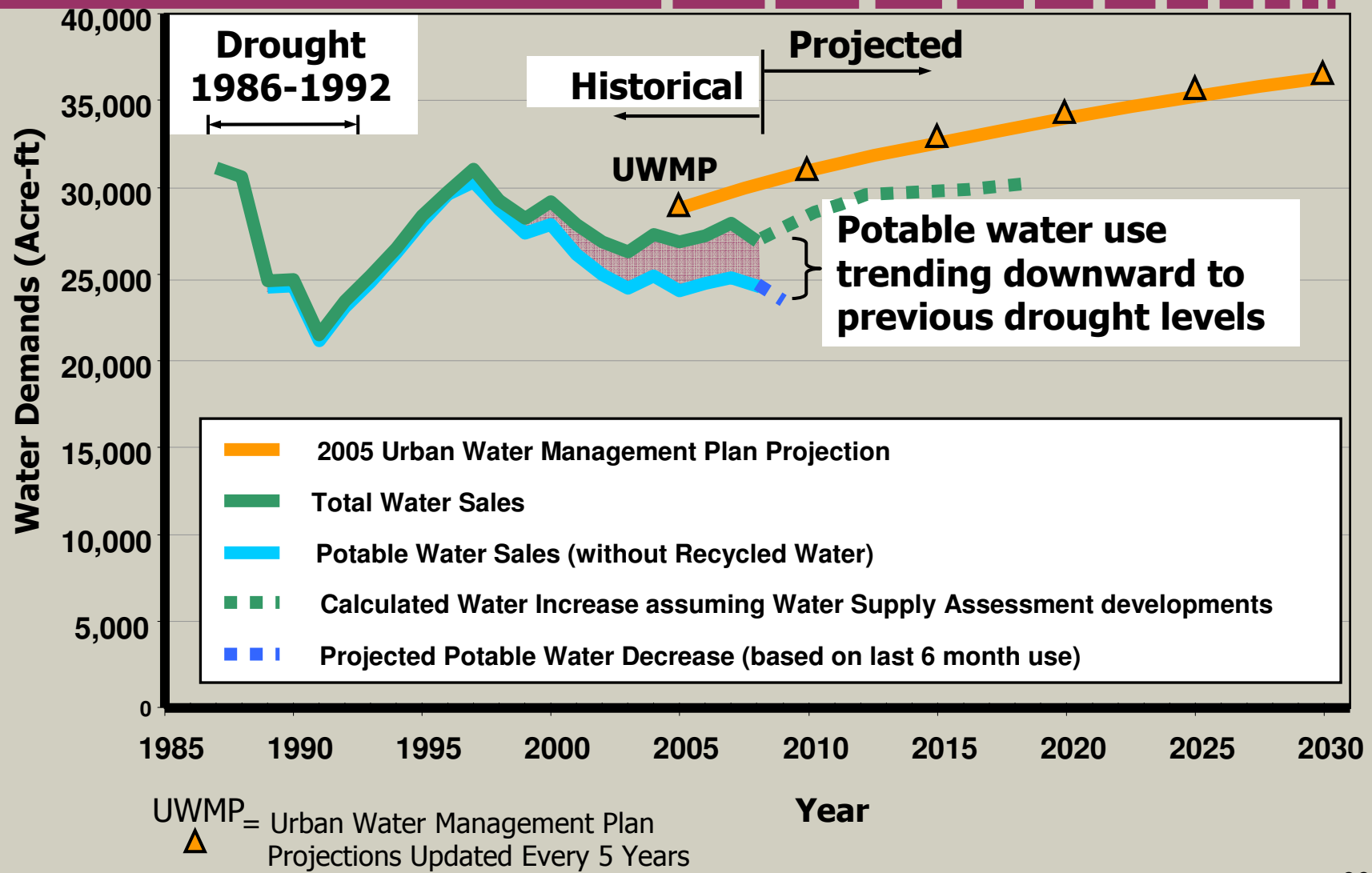
Calendar Year 2008



Calendar Year 2008

26,238 acre-ft
(lowest sales since 2003)

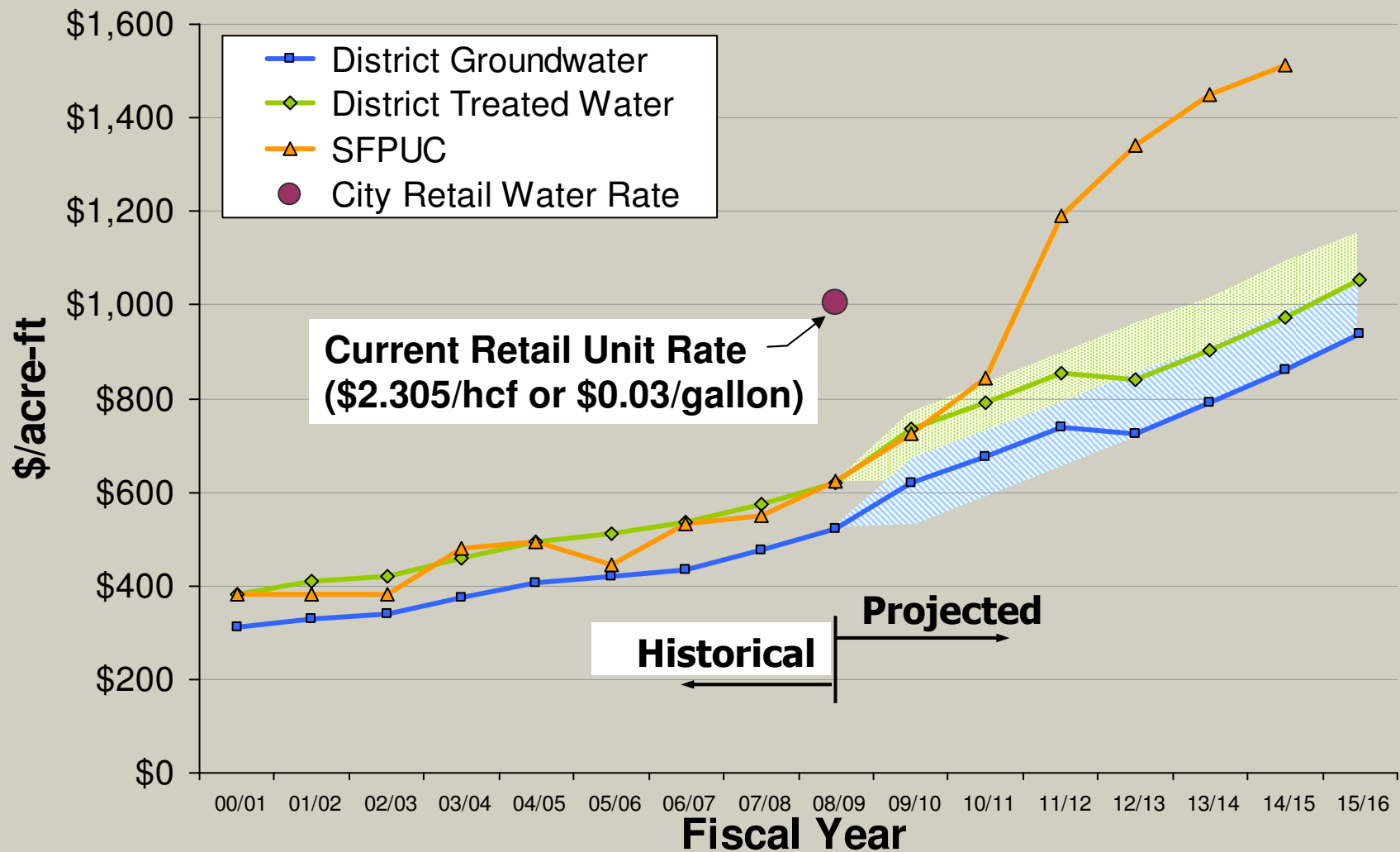
Water Sales Estimated to Decline by 3% or more



Projected Wholesale Water Rate Increases

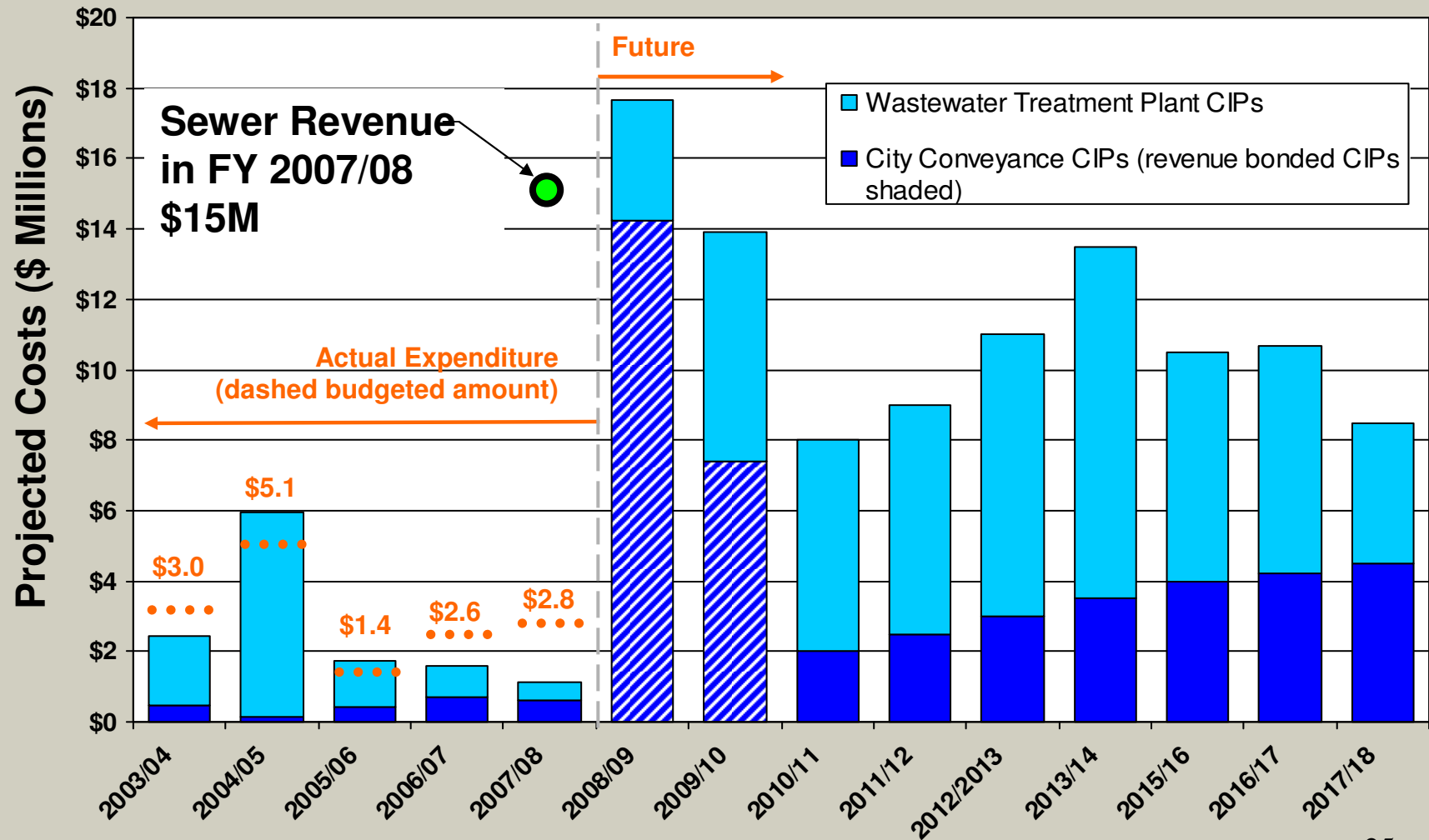
Water Wholesaler	Current FY08/09 Cost/AF	Projected FY 09/10 Cost /AF	Percentage increase	
Groundwater (SCVWD)	\$520	\$620	19.2%	Wholesalers could implement Drought Surcharge that may increase wholesale rates to 25%
Treated Water (SCVWD)	\$620	\$735	18.5%	
SFPUC	\$623	\$623	16.1%	
Recycled Water	\$375	\$495	32.0%	

Long-Term Wholesale Water Cost Projections (increase by 70% to 140% by 2015)



Significant Critical and High-Priority Sewer 10-Year CIP Projects (Aging Infrastructure at the Wastewater Treatment Plant and City Collection System Conveyance Improvements)

(Total = \$109 Million over 10 Years)




Executive Summary and Implications

- **Near-Term Projections show decrease in water sales and sewer service and use charges due to economic contraction and voluntary water conservation.**
- **Annual Increases in wholesale water costs are projected by the Santa Clara Valley Water District (District) and San Francisco Public Utilities Commission (SFPUC Water Supply Improvement Program at \$4.3 Billion)**
- **Significant Critical and High-Priority Sewer 10-Year CIP Projects (Aging Infrastructure at the Wastewater Treatment Plant and City Collection System Conveyance Improvements) will drive sewer rates.**

Executive Summary and Implications

- **City Staff Actively Pursuing Grants & Loans (California Clean Water State Revolving Loan Fund and Department of Public Health)**
- **South Bay Water Recycling Program (SBWR) is at the “top of the list” for U.S. Bureau of Reclamation Grant due in part to the “shovel ready” Central Park Recycled Water Pipeline Project. Grant is 25% of project costs and an estimated \$20M for the SBWR projects.**



**Thank you,
Questions?**

